

# MOSSEL BAY MUNICIPAL INCENTIVE POLICY 2019



Harding, Gwynnefer

MOSSEL BAY MUNICIPALITY

[www.mosselbay.gov.za](http://www.mosselbay.gov.za)

# PREAMBLE

Municipalities have a mandate to provide communities with the best possible quality, affordable services and create suitable conditions for local business to thrive, create jobs and ensure that the municipality remains financially sustainable. Mossel Bay Municipality strives to ender quality services as well a vibrant, clean, well-maintained, safe environment with a highly capable and ethical administration.

Residents and Business rely on local government to be guided by well-defined policies and procedures, that lead to prosperity for everyone. A municipality finds a balance between competing but complementary responsibilities by developing and implementing dedicated instruments.

One of those instruments is an Investment Incentive Policy, that is grounded on the need for Mossel Bay Local Municipality to ensure that the municipality achieves the outcome of attracting the necessary investment to implement economic and developmental infrastructure projects, that will ensure that the LED mandate of Mossel Bay Municipality is achieved.

The Mossel Bay Municipality established itself as a driver of economic growth in the Southern Cape. The aim is to create a business-friendly environment that will encourage the establishment of businesses in this pristine area of the Southern Cape. Investment incentives are inducements offered to net worth investors to encourage them to invest or reinvest in the geographical areas of Mossel Bay Municipality.

This incentive policy is Mossel Bay Municipality's offering and management of incentives as an additional tool for attracting and securing sustainable investments into the municipality.

## Table of Contents

PREAMBLE .....	1
1 INTRODUCTION .....	3
1.1 Purpose of the policy.....	3
1.2 Legislative context.....	3
2. POLICY DIRECTIVES .....	4
2.1 Eligibility .....	4
3. AVAILABLE INVESTMENT INCENTIVES .....	5
3.2 Financial Municipal Incentives .....	5
3.2 Technical or Business Support Incentives .....	5
4. OTHER TYPES OF INCENTIVES OFFERED .....	6
4.1 Financing of Feasibility Study and Business Plan Development.....	6
4.2 Rebate on Municipal Building Plans .....	6
4.3 Land & Buildings (Asset Management Policy) .....	6
4.4 SMME and Secondary Economy Investment Incentives .....	7
4.5 Discretionary Incentives .....	7
4.6 National and Provincial Government Financial Incentives .....	7
5. LOCATION CRITERIA AND TYPES OF BUSINESSES.....	7
5.1 Desirable Developments .....	7
5.2 Pre-determine development areas .....	8
6. SUBMISSION AND PROCESSING OF APPLICATIONS .....	9
6.1 Submission .....	9
6.2 Incentive Evaluation Committee .....	9
6.3 Approval by Council.....	10
6.4 Incentive Contract .....	10
6.5 Implementation of approvals .....	10
7. MONITORING AND EVALUATION .....	11



## 1 INTRODUCTION

This policy intrinsically recognises that the investment situation is subject to continuous change. Mossel Bay Municipality's task in respect of the managing of incentives is to creatively match the needs of investors with a range of incentives that could be provided. This policy focuses on supporting investments based on their potential future contribution to economic growth within the municipal area. It should not be utilised as a loophole or precedent for cash poor developers to circumvent standard municipal charges such as capital contributions and service charges. This incentive evaluation model plays a key role in decision support and investment monitoring to ensure that this policy is fair and consistent.

### 1.1 Purpose of the policy

This Incentive Policy is aligning the municipal strategic agenda with the Municipal Integrated Development Plan and sector plans and policies like the Spatial Development Framework, Land Use Management Scheme, the Local Economic Development & Tourism Strategy and all the other infrastructure and environmental management plans. The purpose, intent and objective of this policy is to:

- Attract additional sustainable industrial or service-related investments into the municipality thus generating employment opportunities, and providing backward and forward linkages among industries within the region;
- Provide the necessary principles, processes, approval procedure, roles and responsibilities to enable a professional, consistent and transparent incentive management dispensation;
- Specify the qualification criteria that investors would have to comply with to be considered for incentives; and
- Facilitate the transformation of specific geographical areas within the municipal area into highly developed Industrial Park, Information Technology, Petrochemical, Ocean Economy, Agri-Industrial, Industrial, Commercial, Tourism, Investment and Financial Centre's of the region.

It is acknowledged that there are numerous Provincial and National incentives available to business. The municipality will, in addition to offering its own service-related incentives, actively encourage participation and uptake of other incentives by investors.

### 1.2 Legislative context

Chapter 7 of The Constitution of the Republic of South Africa, mandates municipalities, per section 152 (l)(b) and (c) to ensure the provision of services to their communities in a sustainable manner; and; to promote social and economic development, respectively. This policy identifies relevant and effective internal instruments that Mossel Bay Municipality utilise to achieve sustainable service delivery, social development, economic diversification and growth.

## 2. POLICY DIRECTIVES

The Incentive Policy is directed at new medium to large investments, as defined by the National Small Business Amendment Act (2003), i.e. new investments that will create a number of permanent jobs and have minimum retable investment as per Table 2.1.

### 2.1 Eligibility

The following provides criteria in terms of eligible developments which the Municipality will consider for incentives applications.

Potential Investors must qualify for at least 1 of the following classifications. If you qualify for both, you will be rebated according to the highest classification.

**Table 2.1 Classification Per Investment**

Classification According to Investment	Class 1	Class 2	Class 3	Class 4	Class 5
Industry	Minimum Ratable Investment	Minimum Ratable Investment	Minimum Ratable Investment	Minimum Ratable Investment	Minimum Ratable Investment
Industrialisation and manufacturing	R5m	R10m	R25m	R50m	R100m
Petrochemical manufacturing, storage and logistics	R5m	R10m	R25m	R50m	R100m
Ocean economy including tourism and fishing	R1m	R2m	R5m	R10m	R20m
Adventure and experience tourism	R1m	R2m	R5m	R10m	R20m
Convention Centre and hotels	R10m	R20m	R50m	R100m	R250m
Motor Sport Industry	R1m	R2m	R5m	R10m	R20m
Medical industry	R5m	R10m	R25m	R50m	R100m
Waste reduction, recycling and re-use	R1m	R2m	R5m	R10m	R20m
Renewable energy industries	R5m	R10m	R25m	R50m	R100m
Airport development	R5m	R10m	R25m	R50m	R100m
CBD Regeneration & Precinct Projects	R5m	R10m	R25m	R50m	R100m
SMME's addressing the economic gap	R1m	R2m	R5m	R10m	R20m

**Table 2.2 Classification Per Employment**

Classification per number of permanent, direct employment					
Number of permanent, direct employment opportunities added					
Industry	Class 1 Minimum	Class 2 Minimum	Class 3 Minimum	Class 4 Minimum	Class 5 Minimum
Industrialisation and manufacturing	40	55	70	85	100
Petrochemical manufacturing, storage and logistics	40	55	70	85	100
Ocean economy including tourism and fishing	40	55	70	85	100
Adventure and experience tourism	20	25	30	40	50
Convention Centre and hotels	40	55	70	85	100
Motor Sport Industry	20	25	30	40	50
Medical industry	40	55	70	85	100
Waste reduction, recycling and re-use	40	55	70	85	100
Renewable energy industries	40	55	70	85	100

Airport development	20	25	30	40	50
CBD Regeneration Projects	20	25	30	40	50
SMME's addressing the economic gap	20	25	30	40	50

### 3. AVAILABLE INVESTMENT INCENTIVES

#### 3.2 Financial Municipal Incentives

The Financial Investment Incentives created through this policy are described below. It makes provision for percentage discount in capital contributions, connection fees, basic charges and rebates on consumption on electricity, water, sewerage and refuse removal.

**Table 3.1 Rebates for Year 1**

Rebates Year 1	Class 1	Class 2	Class 3	Class 4	Class 5
Capital Contribution	5%	10%	15%	20%	25%
Electricity Connection Fee	5%	10%	15%	20%	25%
Water Connection Fee	5%	10%	15%	20%	25%
Sewerage Connection Fee	5%	10%	15%	20%	25%
Electricity Consumption	2.5%	3%	3.5%	5.5%	6%
Electricity Basic Charge / Demand Charge	2.5%	3%	3.5%	5.5%	6%
Water Consumption	2.5%	3%	3.5%	5.5%	6%
Water Basic Charge	2.5%	3%	3.5%	5.5%	6%
Sewer and effluent Charges	2.5%	3%	3.5%	5.5%	6%
Refuse Charges	2.5%	3%	3.5%	5.5%	6%

**Table 3.2 Rebates for year 2**

Rebates Year 2	Class 1	Class 2	Class 3	Class 4	Class 5
Electricity Consumption	2%	2.5%	3%	4%	5%
Electricity Basic Charge / Demand Charge	2%	2.5%	3%	4%	5%
Water Consumption	2%	2.5%	3%	4%	5%
Water Basic Charge	2%	2.5%	3%	4%	5%
Sewer and effluent Charges	2%	2.5%	3%	4%	5%
Refuse Charges	2%	2.5%	3%	4%	5%

**Table 3.3 Rebates for year 3**

Rebates Year 3	Class 1	Class 2	Class 3	Class 4	Class 5
Electricity Consumption	1%	1.5%	2%	2.5%	3%
Electricity Basic Charge / Demand Charge	1%	1.5%	2%	2.5%	3%
Water Consumption	1%	1.5%	2%	2.5%	3%
Water Basic Charge	1%	1.5%	2%	2.5%	3%
Sewer and effluent Charges	1%	1.5%	2%	2.5%	3%
Refuse Charges	1%	1.5%	2%	2.5%	3%

#### 3.2 Technical or Business Support Incentives

Services to support investors in setting up and running their operations may be provided. These can include preferential treatment and streamlined administrative processing, administrative consulting, direct administrative assistance and support to ex patriate employees of the investor business,

business-centric research, market intelligence, opportunity identification, project packaging and industrial clustering and support.

## **4. OTHER TYPES OF INCENTIVES OFFERED**

### **4.1 Financing of Feasibility Study and Business Plan Development**

There are potential economic development projects identified for Mossel Bay. However, these projects may require more detailed feasibility studies to attract investors. In addition, should local investors have ideas and/or rights to potentially large investment opportunities, but lack the funds to undertake detailed feasibility studies or business plans, they could be assisted to raise funding for those plans.

The Mossel Bay Municipality will partner with other organisations and enterprises to provide some financial support for the development of business plans and feasibility studies of potential or new investments where such investments are deemed beneficial to the local economy and within the targeted sectors of the Municipality.

### **4.2 Rebate on Municipal Building Plans**

The Municipality could provide up to 50% rebate on the approval costs for building plans. The rebate will be to the sole discretion of the Municipality, considering the following criteria:

- a) Should be located within Council's approved urban renewal or development precincts;
- b) No residential type of developments, unless it's a tourist related accommodation facility with more than 30 newly constructed rooms or a sectional title type of development in the CBD;
- c) The business must be the owner of the premises on which the development is set to take place;
- d) The business has signed at least a 10-year lease agreement, for premises on which the development is set to take place; and
- e) The nature, extent and financial impact of the proposed development.

The rebate does not apply to any additional costs or penalties that the developer may incur in relation to building plans.

### **4.3 Land & Buildings (Asset Management Policy)**

The Mossel Bay Municipality has strategic portions of land available that might be offered to investors. Mossel Bay Municipality is required to adhere to Municipal Finance Management Act (MFMA), Municipal Asset Transfer Regulations and Supply Chain Management Regulations. The MFMA requires that Municipalities, in selling / letting of assets (including land) non-essential for service delivery, must consider the fair market value of the asset, as well as the economic and community value to be received from the selling / letting of the asset. Any disposal must be fair, equitable, transparent and competitive.

However, in terms of the Constitution the object of the Municipality is to promote economic development. Council is therefore desirous to identify land in order to promote such development.

The proposal of the investor will be evaluated by the Municipality in terms of, and subject to, the criteria set out in the framework (Asset Management Policy) approved by Council.

The Municipality will assess and provide feedback on any application within fourteen (14) days of receipt of such application.

#### 4.4 SMME and Secondary Economy Investment Incentives

In addition to the above-mentioned investment incentives, Mossel Bay Municipality could provide additional support to SMMEs and the secondary economy. In this regard the following tailored investment incentives are available for companies with special reference to SMME's:

- i. Assistance in developing a business plan for start-up companies or companies that wishes to expand;
- ii. Promotion of mechanisms for co-operation between SMME's to meet contemporary needs;
- iii. Assistance in establishing SMME networks that lead to competitive advantage, cost savings, market access and knowledge exchange. The emphasis would be on establishing supply chain linkages with the large companies who would be willing to outsource services to small companies that could better perform those services;
- iv. Assist and support SMME's through the municipal procurement policy; and
- v. Municipality will make provision for Small Business to be part of the Business Chamber by means of a Section 67 Agreement.

#### 4.5 Discretionary Incentives

The Municipality acknowledges the need for special incentives where a possible investment far exceeds the Class 5 minimum ratable requirements (Table 2.1 and 2.2) of this Policy. Such applications could be dealt with as special cases with unique incentives offered. These type of applications with suggested incentives that should be in line with the broad framework and intentions of this Policy, will be recommended to Council for approval.

#### 4.6 National and Provincial Government Financial Incentives

The Department of Trade and Industry (DTI), as well as other government departments at a national level, developed a list of supply side measures to be used in accordance with the government's Incentives and Initiatives Programme. These side measures range from direct grants, production support, export promotion, human skills development, infrastructure and strategic investment support, tax allowances and duty drawback facilities to name a few. The Provincial Government also focuses on specific support measures such as investment promotion and investor support services, while local government focuses on specific requirements, including location and general support services.

Potential investors are encouraged to liaise with DTI and DEDAT in this regard and the Municipality will assist where possible to provide such information or contact details.

### 5. LOCATION CRITERIA AND TYPES OF BUSINESSES

#### 5.1 Desirable Developments

MBM identified the following developments but is not an exhaustive list:

**Table 5.1 Desirable Developments**

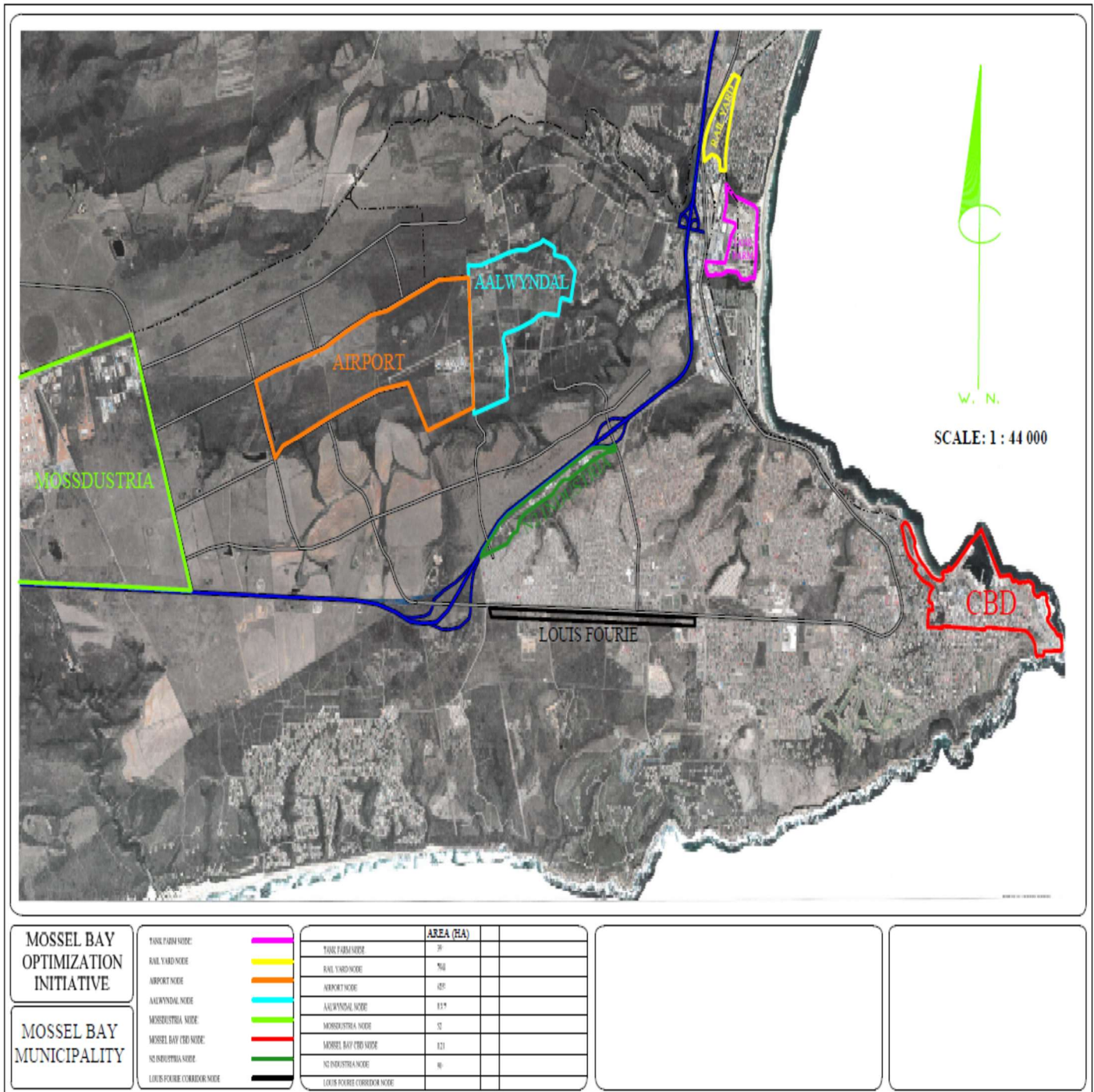
Development Areas	Types of Business
<ul style="list-style-type: none"><li>Any location or area that conforms to the spatial development framework and planning policies and by-laws of the Municipality.</li></ul>	<ul style="list-style-type: none"><li>Techno Park related developments;</li><li>Airfield Development;</li><li>Call Centre's;</li><li>Medical Related Developments;</li><li>Research and Sciences; and</li><li>Ocean Economy.</li></ul>



## 5.2 Pre-determine development areas

The intention of this Policy is also to promote development in line with Council's Spatial Development Framework and Economic growth areas. The intention is to incentive new businesses that locates in such areas, in line with the classification criteria of this Policy.

Business that intend locating outside of these areas, could also benefit and may apply, but will depend strictly on the type of business and its potential impact on the economy as per set classification criteria of this Policy (also see point 5.1 Desirable Developments).



Map 5.1 Spatial Reflection of Pre-Determined Development Areas

The following table list the Pre-determined Development Areas and types of businesses that would be considered.

**Table 5.2 Pre-determined Development Areas**

Pre-Determine Development Areas	Types of Business
<p><b>Central Business District:</b></p> <p>This incentive scheme is applicable to new investments in Central Business District. Mossel Bay Municipality has identified the Central Business District as the geographical area in which development should be incentivised. This area has specifically been identified as vital to tourism particularly with The Point being a major tourism attraction and cruise liners entering the harbour. The boundaries are the ocean, Wassung and Montagu Streets and The Point. Most of the CBD is already developed and businesses located in the CBD would most likely be in established buildings where building plans and capital contributions are not applicable.</p> <p>The Medical Precinct is also identified and include whole Da Nova Area around the Life Bay Hospital.</p> <p>The incentives will be limited to new investments in Mossel Bay.</p>	<ul style="list-style-type: none"> <li>• 5% Professional consulting firms such as medical practices, accounting firms, legal firms, architects etc.;</li> <li>• Coffee shops and restaurants;</li> <li>• Fresh produce markets;</li> <li>• Call Centers;</li> <li>• Training Facilities;</li> <li>• Travel agents;</li> <li>• Delicatessens;</li> <li>• Pet shops;</li> <li>• Antiques and designer furniture shops;</li> <li>• Art and craft shops;</li> <li>• Art galleries;</li> <li>• Photography shops;</li> <li>• Banks;</li> <li>• Florists;</li> <li>• Pharmacists; and</li> <li>• Information Technology.</li> </ul>
<p><b>Mossdustria and, Voorbaai Industria, N2 Industria:</b></p> <p>Mossdustria and N2 Industria have been identified as two areas which specifically should be developed as these are a well-developed with infrastructure, is highly accessible and can accommodate large scale developments that will significantly contribute to the economy and job creation.</p>	<ul style="list-style-type: none"> <li>• Any type of business that conforms to the spatial development framework and planning policies and by-laws of the Municipality;</li> <li>• New investment to Mossel Bay and not a relocation from one area to another;</li> </ul>

\*Other areas and businesses/organisations may be added in future to include newly identified growth nodes and corridors.

## 6. SUMBISSION AND PROCESSING OF APPLICATIONS

### 6.1 Submission

All enquires and applications must be lodged and submitted to the Municipality and specifically the Sub Directorate Economic Development and Tourism. This Sub Directorate will facilitate the application process from first enquiry phase up to approval and implementation and assist in providing ease of access to Municipal services. Online Submissions can be done by emailing [admin@mosselbay.gov.za](mailto:admin@mosselbay.gov.za). and for enquiries call (044) 606 5000.

### 6.2 Incentive Evaluation Committee

An Incentive Evaluation Committee (hereafter refer to as the Committee) will assess and recommend applications received for final approval by the Municipal Manager or Council. The Committee will consider whether:

- the application meets all the minimum qualifying criteria of this Policy;
- if the economic contribution of the investment is positive; and
- if the contribution is sustainable.

The Committee consist of the following Officials and Councilors:

*Officials:*

- Coordinator and secretariat: Manager Economic Development and Tourism
- Chairperson: Municipal Manager
- Director Planning and Economic Development or his/her representative
- Director Technical services or his/her representative
- Chief Financial Officer or his/her representative
- Senior Manager: Legal Services or his/her representative
- Senior Spatial Planner

The secretariat function will be performed by officials from the Sub Directorate Economic Development and Tourism.

*Councilors:*

- Portfolio Councilor for Planning and Economic development
- Portfolio Councilor for Finance
- Portfolio Councilor for Technical Services

During evaluation of the application, each Directorate in the Municipality will explore as far as possible concessions regarding application, costs, processing and turnaround times and report such to the Committee.

### **6.3 Approval by Council**

The following scenarios will require approval from Council:

- Large-scale projects, outside of this Policy framework and criteria, which will require special assistance or is of special importance to the development of the economy; and
- Any incentive pertaining to Land and Buildings, see point 4.3 of this Policy.

Approval time by Council is dependent on Councils meeting schedule.

### **6.4 Incentive Contract**

A final incentive contract, signed by the Municipal Manager and the investor, shall become the legal binding agreement between Mossel Bay Municipality and the investor. The Mossel Bay Municipality incentive approvals must comply with the applicable delegated authorities determined from time to time by Council.

### **6.5 Implementation of approvals**

The respective Directorates shall implement the contracted incentives according to the signed contract. The contract conditions shall be monitored for adherence by the Manager: Economic Development and Tourism.

## 7. MONITORING AND EVALUATION

The Directorate Planning and Economic Development will evaluate the impact of the Incentive Policy and recommend possible amendments to Council when required.

This policy will come into effect on 1 July 2020.

### DOCUMENT AND VERSION CONTROL

Version: **Revision 1**


Date: **May 2020**

Signature: .....

Date: 28/05/2020

Municipal Manager

(Accounting Officer)

Signature: .....

Date: 28/05/2020

Executive Mayor